GLOBALISATION:
THE COMMUNITY'S RESPONSE
Employment, income, taxation

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General introduction

The countries of the European Union are confronted with a very high rate of unemployment, which grows each time the economy dips. This phenomenon was particularly marked during the 1992/1993 crisis. Since then, despite a hesitant recovery, unemployment in Europe remains at unparalleled levels. This is in strong contrast to the situation in the United States and the United Kingdom, where unemployment is low, but where inequalities have increased considerably. Unemployment or inequality, these are the two sides of an equation to which nobody appears so far to have found a satisfactory solution.

Employment policies continue to be set essentially at the national level. Nonetheless these are influenced and, at times determined, by the adopting or failure to adopt measures, for example taxation, at the European level. But the question is more broad-based, and we need to take account of globalisation and its repercussions. Within this context the question becomes: Does the European Union constitute a "shock absorber" against the undesired effects of globalisation, or, on the contrary, is it a means of accelerating economic and social deregulation.

As Didier Bigo points out: "*The European dynamic is not just a question of going beyond the national state, as liberal integration theories presuppose, but it is also that of deliberately remaining at something less than world level*". The interest of starting with the (broad) question of globalisation is that this enables us to (re-) classify a series of policies or their absence by shifting the initial point of observation. The question is no longer one of relationships between Member States and the Union, but of Europe's place in the new political and economic environment which is slowly and painfully coming into place.

In this document we would like to analyse the policies of the European Union, placing them first of all within the framework of a broader discussion. This is why, in our first chapter, we briefly sketch out the present processes of globalisation. In our second chapter, we rapidly evaluate the different processes of regional integration.

Nonetheless, it is not possible to analyse in detail this complex set of questions. The multiplicity of the debates and issues is the impression which dominates when one tackles the topic of globalisation and regionalisation. The only ambition of the first two chapters is to cast a certain amount of light onto the current debates, and to provide a few markers which can impart more sense to Community policies.

In writing them we have become aware how much the contribution of the Commission's White Paper on Growth, Competitiveness and Employment lay in its providing a direct or indirect response to a certain number of challenges and issues of the globalisation process which have been put forward in recent "scientific" literature. From this viewpoint, the White Paper constitutes more than a balance between large-scale public works (the Keynesian approach) and the deregulation of the labour market (the liberal approach).

The effects of the globalisation process are perhaps less marked right now than it is fashionable to pretend to believe, but everything is pointing to the fact that the trends which have become visible in the 80s and the early 90s will continue. Globalisation, regionalisation and exclusion will remain three key words in the future.

Chapter 1: Globalisation

Introduction

Five questions underlie this first section.

The first relates to the very meaning of the word “globalisation”. To what phenomena and what players are we referring?

The second relates to the novelty of the phenomenon. How does globalisation differ from earlier dynamics of transnationalisation?

The third question relates to the dynamics of exclusion and the incomplete character of this globalisation.

The fourth examines more closely the question of the identity of the players and their capacity for action.

Finally, we will return to the multi-dimensional nature of this question, and will ask about the loss of meaning which it induces.

1. How should we define globalisation?

Whilst it has now become a commonplace to speak of globalisation (1), is the meaning of this term in fact as clear at it appears at first sight?

The OECD has proposed a fairly complete definition.

Globalisation refers to the development of the structure of business companies’ cross-frontier activities, in the areas of investment, trade and cooperation in the development of products, production and supplies, as well as marketing. This movement is based on businesses’ desire to exploit competitive advantages at an international level, to take advantage of local opportunities in terms of production resources and infrastructures, and to place themselves in their final markets. These strategies are linked to the falling cost of communications and transport and the increasing costs of R&D, the macro-economic evolution and exchange rate fluctuations, as well as the liberalisation of trade, investment and capital flows”. (OECD 1994).

Within this definition, the active player in globalisation is the large business company, and the fields of globalisation are investment, trade and technology.

For his part, C. Oman (1994) proposes a distinction between four distinct but inter-linked phenomena:

- firstly, the relative decline of the American hegemony and the end of the bi-polar world;
- secondly, the rapid rise of world financial markets;
- thirdly, the globalisation of enterprise activities in both the manufacturing and service sectors;
- fourthly, planetary threats, in particular to the environment (e.g. the greenhouse effect).

We observe here that an approach to globalisation which takes on board these four axes involves differing actors and fields (political, geopolitical, economic, financial and social). It is distinct itself from a reductive vision which is limited merely to multinational enterprises and/or the financial sphere.

Nonetheless, the author insists on the fact that "*the genuine driving force of this process lies today in the arrival at maturity and international dissemination of new forms of organisation both within and between enterprises (flexible or lean production or new competition)*".

Whilst obviously multinational enterprises are central players, it would be wrong to ignore, as is often the case, the other dimensions of globalisation. After first of all carefully examining the "economic" issues, we will return the geopolitical and social issues.

2. A new and different phenomenon?

What are the main features of internationalisation which distinguish the present phase from earlier waves?

Put very systematically, we normally distinguish three phases in the historical process of globalisation.

The first is centred on trade: this is the opening up and growth of world trade. Different products are traded, basically raw materials against manufactured goods.

The second phase is characterised by large-scale direct foreign investment. This is aimed at satisfying local demand, re-exporting a part of production or securing a continuous flow of raw materials.

The present phase is novel in two aspects. First of all, we observe an internationalisation of the monetary and financial system, which is becoming increasingly independent from the system of production and also increasingly autonomous vis-à-vis national governments. At the same time we are witnessing a growth in that portion of production which is becoming genuinely global through an unprecedented development of intra-company trade ("made in the world"). It is the production process which is becoming internationalised. Even so, the characteristics of the earlier phases have not disappeared.

Summarising the main economic trends of globalisation, John Hagedoorn and Jos Schakenrad (1994b) propose four major axes:

- an increase in exports and imports of goods and services;
- a growing flow of direct investment;
- an internationalisation of technology flows;
- an internationalisation of the monetary and financial system.

For the 1980s, these trends are confirmed by the statistical data which are available. As indicated in the table below, trade flows have increased slightly faster than growth rates. The flow of foreign direct investments (FDI) is almost twice as fast, whilst the number of financial transactions has exploded.

Table 1: Comparison between the growth (1980 to 1988) of trade, financial and foreign direct investment flows, and that of the national GDPs of OECD countries (multiplier coefficient)

GDP of OECD countries	***Trade flows***	***Currency market transactions***	***FDI flows***
1.95	2	8.5	3.5

Source : C. Serfati (1994), based on data from GATT, BIRD, and OECD, quoted by F. Chesnais, 1994.

Below we will develop three aspects: trade flows, investments and new forms of production.

2.1. Trade flows

Trade remains a significant indicator both of the importance of the country in the world economic order and its specialisation, that is, the extent to which it is part of the world-wide division of labour. In a general fashion, the last thirty years have brought with them far-reaching changes. Among the industrialised countries, the United States is no longer the hegemonic power which it was just after the war. Despite Japan's growing strength, Germany remains the world's second largest trading power. The Asian "tigers" represent over 10% of world trade. The European Union as a block remains by far the largest trading power with 20% (after deducting intra-Community trade).

Table 2 : Old and new commercial powers
(main exporting countries' shares of world trade, from 1955 to 1993 in %)

	1955		1973		1993		
	Share	***Ranking***	***Share***	***Ranking***	***Value***	***Share***	***Ranking***
United States	19.0 %	1	13.6 %	1	465	12.6 %	1
Germany (a)	7.7 %	3	13.2 %	2	362	9.9 %	2
Japan	2.4 %	8	7.1 %	3	361	9.8 %	3
France	6.0 %	4	6.9 %	4	209	5.7 %	4
United Kingdom	9.6 %	2	5.9 %	5	183	5.0 %	5
...	...	...	...	...	...	...	...
Hong Kong	0.5 %	-	1.0 %	25	135	3.7 %	8
China	-	-	-	-	92	2.5 %	12
Taiwan	0.1 %	-	0.9 %	28	85	2.3 %	13
Korea	0.0 %	-	0.6 %	38	82	2.2 %	14
Singapore	1.3 %	-	0.7 %	34	74	2.0 %	15
Per memoriam: European Union					569 (b)	20 % (c)	

(a) Reunified Germany (in 1992), FRG in 1955 and 1973.
(b) The European Union is treated as a single trading entity (excluding intra-Community trade). Figure for 1992.
(c) Share calculated as a proportion of world trade, after deducting intra-Community trade. Figure for 1992.

Source : Calculations based on GATT : International trade in …., various years. GATT Focus, various issues; United Nations: Monthly Statistics Bulletin, various issues.

If we now go on to examine the geographic destination of this trade, we note that it is more or less regionalised from one zone to the next (see table 3).

It is in Europe that trade is the most regionalised. Indeed the majority of Europe's trade takes place between European Union countries. Objective 1992 has had the effect of further reinforcing this trend. The other zone which is seeing a rise in the proportion of intra-regional trade is Asia. Trade-wise, the other continents face outwards (that is, towards Europe or United States). Finally, we observe the collapse of internal trade in Central and Eastern Europe.

Table 3 : Inter-regional trade
(as a percentage of total trade of the zone and as a percentage of world trade)

Zones	*Intra-regional trade as % of total trade in the particular zone*		*Intra-regional exports as a % of world trade*	
	1986	1991	1979	1989
North America	39.1	33.0	4.6	5.3
Latin America	14.0	16.0	1.1	0.5
Western Europe	68.4	72.4	28.8	31.1
Central Europe and former USSR	53.3	22.4	4.3	3.5
Asia	37.0	46.7	6.3	10.0
Africa	5.9	6.6	0.3	0.2
Middle East	7.7	5.1	0.4	0.3

Source : GATT 1990, 1993.

The composition of exports has changed. For a certain number of new countries manufactured goods now represent the majority of exports. But does this really point to the new power of certain economies, or simply to the fact that multinationals have set up shop in them and are now exporting from them? The fact is that a large and growing part of world trade is in fact intra-company trade. One interesting case in point is the relocation of Japanese enterprises towards South-East Asia, in order both to avoid European and American protectionist barriers and to limit the impact of the rise in the yen. This is just one example among others. Today new forms of production allow firms to relocate as a function of international political and economic conditions. One can therefore ask whether the usual yardsticks are still relevant. For example, a country's balance of trade can affected by "relocations" and not correspond to that country's real "power" (at least, that is, if we assume that multinationals are strongly tied to their countries of origin). On the other hand this internal trade allows profits to be made where this is fiscally or strategically the most interesting. In an analysis of globalisation via trade flows we already find a tension between those analyses which take nation states as their basic unit and those which focus their analysis on multinationals. In many cases, analysts shift from one to another, which does not make for particularly coherent analysis.

The fall in the cost of transport and the information technology revolution have to a large extent supported this phenomenon. Between 1985 and 1992, the cost of trans-Atlantic air transport fell by 25%, that of air freight traffic by 30% and that of trans-Atlantic passenger transport by 50% (Pench, 1995). In the area of international telecommunications, the cost is again falling rapidly.

2.2. Investments

Contrary to a widely-held view, investment was concentrated in industrialised countries throughout the 1980s, and more particularly in the second half of the decade, a trend which was further confirmed at the beginning of the 1990s. The table below gives the main figures for investment stock. This particular indicator evolves fairly slowly, as it emphases the historical situation as compared with investment flows, which give an instantaneous image, but which are often deceptive, as they can depend on particular circumstances. This essential item of data points to a profound redirection of multinational enterprise strategies. Possible explanations are both the impetus provided by the single European Market, encouraging investments in Europe, and the errant behaviour of the dollar, which has favoured investments in the United States. Another important and more general factor has been new forms of just-in-time production, requiring sub-contractors to locate close to the primary production site.

But the first part of this table also shows that the relative shares (in percent) of the different countries behind these investments have evolved considerably over the past 30 years. The United Kingdom's share fell continuously from 1940 to 1970, since when it has remained relatively stable. The United States, a hegemony at the end of World War II, has seen its relative share reduce constantly, whilst remaining the largest investor country. Japan's evolution is remarkable. Another noteworthy case is France, which during the second half of the 1980s has made major investments abroad, enabling it to catch up the other industrial powers.

Table 4 : The stock of foreign direct investment (FDI) in percentage terms (1914-1991)

	1914	*1938*	*1960*	*1975*	*1985*	*1991*
Country of origin	***100***	***100***	***100***	***100***	***100***	***100***
United Kingdom	45.5	39.8	17.1	13.1	14.7	13.6
USA	18.5	27.7	52.0	44.0	35.1	24.3
Japan	0.1	2.8	0.8	5.7	11.7	13.1
Germany	10.5	1.3	1.3	6.5	8.4	9.4
France	12.2	9.5	6.5	3.8	3.0	7.4
Other developed countries	13.2	18.9	21.2	24.5	24.3	28.3
Developing countries	0	0	1.1	2.3	2.7	3.8
Planned economies	0	0	0	0.1	0.1	0.1
Host countries	***100***	***100***	***100***	***100***	***100***	***100***
Developed countries	37.2	34.3	67.3	75.1	75.0	80.1
Developing countries	62.8	65.7	32.7	24.9	25.0	19.9

Source : J.H. Dunning, "The History of Multinationals during the Course of a Century", presented in Andreff, 1996.

If we now turn our attention to the stock of foreign investment entering and leaving developed countries, we note that a relative equilibrium exists between incoming and outgoing stocks except in the case of Japan, where the sum of Japanese investments outside Japan is six times as high as that of foreign investments in Japan. This item confirms this country's particular place. Not only does this country have a considerable trade surplus, but investment flows are just as totally unbalanced.

Tableau 5 : The stock of foreign investment of the main investing countries 1980-1990 (in billions of dollars).

	Incoming FDI stock		*Outgoing FDI stock*	
	1980	*1992*	*1980*	*1992*
Total developed countries	394	1 520	513	1 932
South Africa	17	11	6	8
Germany	37	130	43	179
Australia	13	80	2	29
Belgium-Luxembourg	7	57	6	46
Canada	52	122	23	87
United States	83	420	220	488
France	23	119	24	161
Italy	9	63	7	69
Japan	31	39	17	250
Norway	3	8	1	12
Netherlands	19	84	42	132
United Kingdom	63	173	81	221
Sweden	3	14	6	51
Switzerland	9	33	21	74

***Source* :** Andreff, 1996.

To gain a more complete view, it is also important to take account of new forms of investment which have developed recently.

This covers subsidiaries where multinational enterprises provide under 50% of capital, licensing agreements, technical assistance, franchising, international sub-contracting, production sharing and industrial cooperation agreements, management or service contracts, turnkey or ready market projects and co-financing agreements.

Another significant trend is large-scale investments in services. Evidently, this term is difficult to define, as the concept of "services" covers a large number of distinct areas. It is no accident that the American government was so strong in insisting that the Uruguay Round negotiations also cover services. Finally, these were encompassed in a separate agreement: the GATS.

Investment and trade between the European Union and the Central and Eastern European countries

Many times the question is raised of competition from Central and Eastern European countries. What figures are available show that, until now, investments have been very low, and in certain countries almost zero. The total amount of such investments is lower than, for example, foreign investments in South Africa.

Table 6 : Incoming FDI into Eastern Europen countries (1978-1993)

	Incoming flows USD billions			*Stock*
Host country	*1991*	*1992*	*1993*	*1992*
Bulgaria	0.1	0	0.1	0.1
Hungary	1.5	1.5	2.3	2.9
Poland	0.3	0.7	0.4	1.3
Czech Republic	0.5	1.0	0.4	2.2[f]
Romania	0	0.1	0	0.1
Russia	0.1	0.8	0.4	n.d.
Slovakia	0.1	0.1	0.1	2.2[f]
Slovenia	0	0.1	0.1	n.a.
Total	**2.4**	**3.9**	**3.9**	**6.6**

f) For the whole of former Czechoslovakia

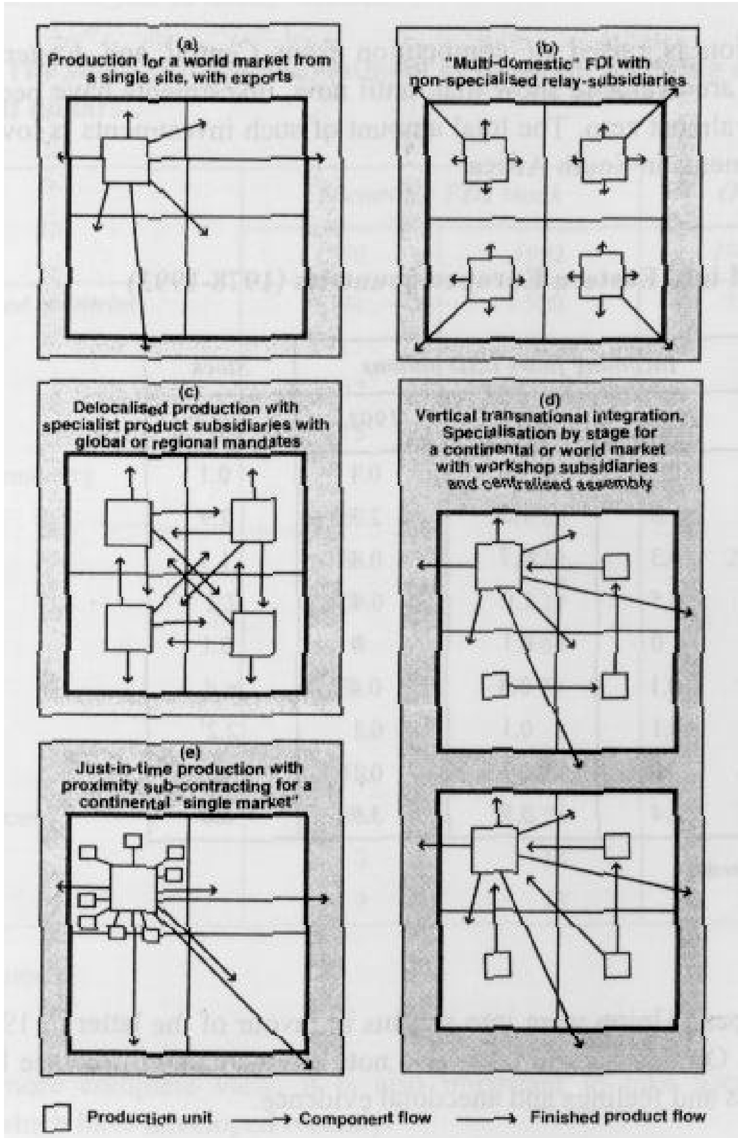
Source : Andreff, 1996.

Net trade with the European Union went into surplus in favour of the latter in 1993, and has continued so ever since. On this question, we also note a remarkable difference between the global figures themselves and feelings and anecdotal evidence.

2.3. New forms of production

Several authors make much of new forms of multinational company organisation (global, networked, virtual, etc.), insisting that the "Fordist" era has come to an end and focusing on the new "lean production" and "just-in-time" concepts derived from the Japanese production model. These can be summarized by the word "Toyotaism". These new forms of production go hand-in-hand with new forms of investment. The most frequently quoted example is sports shoe manufacturer NIKE which maintains only its "noble" functions (creation, promotion, publicity) with a small team of workers at its Seattle centre, and which organizes a sub-contracting production network in South-East Asia. This development in the way production is organized is summarized in the diagram below, taken from F. Chesnais's book.

Figure 1. Forms of internationalisation of industrial production



Source: Adapted from P. Dicken (1992) and J. Savary (1991)

Figure A represents a national enterprise which exports world-wide from its home country.

Figure B shows a multinational with subsidiaries in other countries, and which aims to satisfy primarily the local market.

Figure C is a development of Figure B, with the various subsidiaries exchanging goods among themselves and each specialising in one particular product.

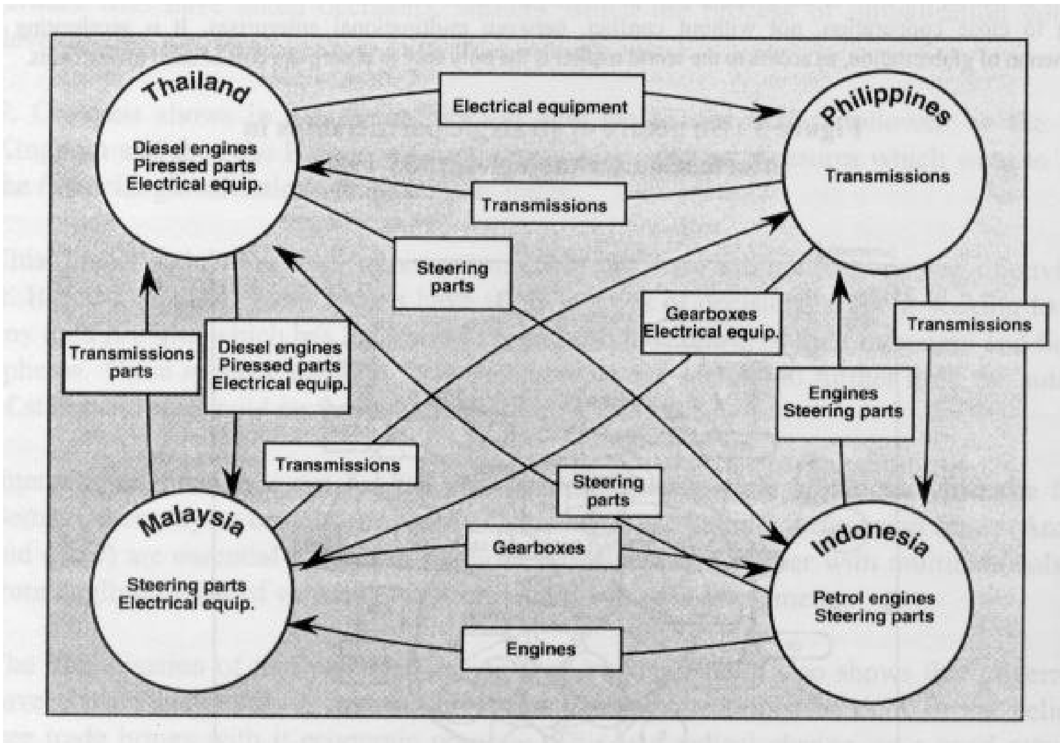
Figure D shows a more hierarchical organisation, with relay subsidiaries exporting towards one or more assembly and exporting centres.

It is these two latter forms which dominate right now.

Figure E shows the new trend which is to repatriate subsidiaries and sub-contractors within geographic proximity in order to be able to produce by just-in-time.

The table below gives the case of Toyota which illustrates figure C and part of E.

Figure 2: Specialisation and intra-enterprise trade between Toyota subsidiaries and South-East Asia.



Source: *Far Eastern Review* (1989, p. 73)

There is a danger in generalising a process which is effectively at work for certain firms and in certain sectors, and forgetting other parameters. The study on multinationals in the year 2000 shows that the traditional forms, that is the creation of a subsidiary in another country, will predominate, and that network companies will be a minority (Hatem 1996). We will not go into this question in further detail. We would remind readers that our aim here is simply to outline certain trends in order to pose questions as to the action of the European Union.

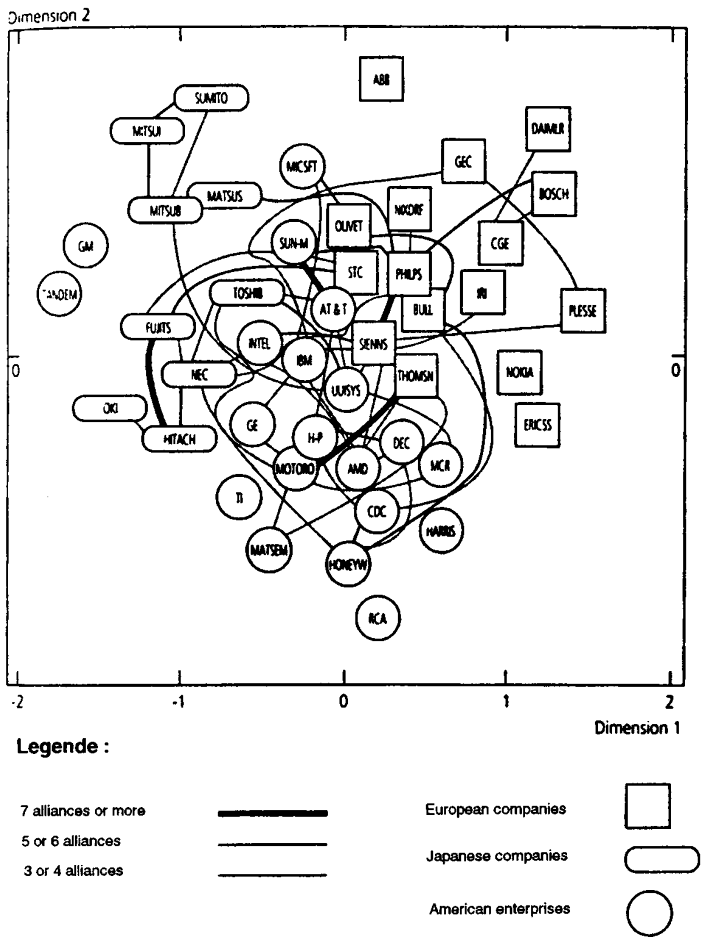
Another aspect is that of the links between a multinational and its country of origin. This is an age-old question. However, we may well question the theory which states that an enterprise has almost no "nationality" (Reich, 1993). Two authors, Rob Van Tulder and Winfried Ruigrok, use a series of indicators to cast doubt on the idea that there is such a thing as a world enterprise, and emphasize the tight links which multinationals still have with their home country. The reality appears to lie somewhere between these two extreme theories. The links between multinationals and home states have become looser, but this does not mean that they do not exist. What is good for General Motors is not necessarily good for the United States, and vice versa. As Keizer notes: "*The economy of the United States itself represents only a part of their world power (of multinationals): with American national hegemony being called into question multinationals have taken to implementing autonomous strategies*".

Technology and globalisation

This question can be approached from various angles.

The first is that of the cost of developing new products. The astronomical cost of research and development is leading to close cooperation, not without conflict, between multinational enterprises. It is accelerating the phenomenon of globalisation, as access to the world market is the only way to absorb the cost of such investments.

Figure 3 : Structure of strategic partnerships in information technologies, 1985-1989



Source: Hagedoorn and Schakenraad, 1991.

On the other hand, the new information technologies and the fall in the cost of communications are playing an essential role in the choice of location of activities. The telecommunication equipment now on sale is one element, but the use of informatics networks also allows all group enterprises to be managed in real time.
The use of these new technologies is supporting the development of international sub-contracting.

The example most often quoted is that of airlines who have their accounting and billing of airlines done in the Caribbean or in India.

3. Who are the players?

Thus far we have concerned ourselves with global trends and figures, and have focused on multinational enterprises as essential players. This presentation is faulty in so far as it fails to mention other players, and in particular as it fails to present the responsibility of the political powers who have taken decisions, without which the process of globalisation could not developed as rapidly.

F. Chesnais shows in a masterly fashion how the United States, followed by the United Kingdom and then the European Community, have adopted measures which were to lead to the financial globalisation which we note today.

This financial globalisation was not unavoidable and there was not just one way of envisaging it. It is the fact that governments have taken a series of decisions without seeking to obtain any *quid pro quo* which has led states to relinquish the control of their monetary and financial spheres. These spheres, released from such control, are seeking to further limit the autonomy of states and their hold on the economy.

International finance is not limited to a handful of large-scale speculators like the famous Soros. Other players can also be clearly identified. For example, the pension funds (American and other) are essential players in financial globalisation, together with multinationals, a far from negligible part of whose profits come from financial investments.

The liberalisation of trade adopted during the Uruguay Round also shows that governments have chosen voluntarily to reduce direct or indirect protectionist barriers, in the belief that free trade brings with it economic progress. This is a radical change, as a good number of developing states have accepted the tenets of free trade and the strategy of development through exports with, as its corollary, the desire to attract foreign capital into their countries. Having won on these points, the developed countries have been more easily able to place on the agenda their two new demands: the liberalisation of services and the respect of intellectual property.

But is it true that all states have lost their ability to regulate? Serious doubts can be expressed with regard to Japan or Korea, for example. Has not Germany retained this ability to a large extent?

A very stimulating article in the English magazine "The Economist" was entitled: *"The Myth of the Powerless State"*. In short, this article developed the following ideas. First of all, the left-of-centre parties in government shifted their ideological basis during the 1980s. Rather than admit this, they have presented this turnabout as the consequence of globalisation. We could also illustrate this statement by emphasising how much Europe has been used, in recent years, as a scapegoat to justify national policies which would have been adopted in any event. Finally, the article emphasizes that globalisation functions with countries which have very different obligatory levies (taxes and social security). This means that it is possible to be competitive and have high income and advanced social protection even within the present framework of globalisation. Finally, these authors express the opinion that financial markets are forcing governments to have "good policies". If they deliver a tight framework, this must be seen as globally favourable to economic growth, and, within such a framework, the margin for manoeuvre is in fact greater than before.

Although provocative, this thesis is not totally wrong. Global financial markets have indeed multiplied the possibilities of borrowing, and have clearly broken the linkage between national savings and a particular state's borrowing capacity. This autonomy of the financial sphere has taken place through the establishment of criteria which have progressively distanced it from the real economy. We have now arrived at a situation where a reduction in unemployment is considered by markets as bad news, because of the ensuing danger of salary increases, which in turn threaten to revive inflation. Faced with this potential risk, the markets expect the central bank to raise interest rates so as to make the stock market less attractive. Here we see the long and tortuous path of reasoning we have arrived at compared with what prevailed previously: a salary increase would increase sales, strengthening enterprise profits and therefore boosting share prices.

But even more than the dissociation of the real economy from the financial economy, it is important to underline the increasing power of new players who have a major part in the decision-making. At the first level are the central banks which are often increasingly independent of political power. Alain Boubil (1996) gives a convincing description of the five categories of players in the financial sphere. "*The regulators set the rules of the game and the price of savers' money, which is entrusted to managers who, following the advice of "gurus", entrust the execution of operations to brokers"*.

Finally, this description would be incomplete if we failed to mention the players who have forged the ideological consensus around globalisation and its benefits. These are the major international institutions: the International Monetary Fund, the World Bank, the OECD, GATT and the World Trade Organisation (WTO). Faced with these six institutions, others, such as the United Nations Conference on Trade and Development (UNCTAD), or again the International Labour Organisation (ILO), have tried with little success to develop other viewpoints.

4. A still very incomplete globalisation

The expression "globalisation" in fact conceals contrasting situations (Hirst and Thompson 1996). The fact is that certain countries, and indeed the entire African continent, are characterized more by a phenomenon of disconnection than by a new inter-dependence.

Similarly, the results, in terms of trade or investments, of the former USSR and the former Eastern block show, globally, a significant decline in these countries' relative weight in the world economy. Finally, certain Latin American countries are doing no more than regaining the status which they had in the 1970s, when Brazil and Mexico were already considered as belonging to the newly new industrial countries.

To quote just one figure, the 47 less developed countries which in 1960 represented 2.3% of world trade represent now, 30 years later, just 0.3%. These figures can, nonetheless, conceal different developments. The reduction during the 1980s of developing countries' share of world trade is due in part at least to the counter-oil crisis and weak commodities prices. During the same period, exports of manufactured goods from the south increased strongly, but this relates to a small number of countries which succeeded in diversifying their exports.

In a certain way, we have seen an opening of markets in a number of developing countries, including Africa, through privatisation programmes, without either these countries generally entering the world economy, or the creation of an independent entrepreneurial class.

The term globalisation could also hide a new North-South split, and the "geographic" slimming of the world. Be it in Afghanistan, Somalia, Chechnya, Liberia, Algeria, or in the Brazilian favellas, entire parts of the planet are becoming almost inaccessible to the rule of law (Rufin 1991). In these islands, inequalities are often growing, leading to phenomena of multiple exclusion. Globalisation is not synonymous with integration, whether between states or within them. We are far from the global village. What we have rather is the inter-connection of islands of prosperity.

Finally, if competition affects a certain number of industrial sectors, employment has developed essentially in the so-called sheltered sectors. Hence, we are seeing a relocation of employment. Never before have people spoken so much of local employment policy or local layers. This is also an argument used by those who do not believe that trade lies at the basis of unemployment in developed countries, advancing to support their arguments the growing portions of jobs in non-competitive sectors (Flanders and Wolf, 1995).

Finally it should be stressed that Japan has "internationalised" very little in its own country. Whether in terms of the amount of imports, or the stock of foreign investments or again immigration figures, Japanese society has globalised very little.

Trade and employment

The impact of trade on unemployment and inequality are generally considered by most economists as marginal. Adrian Wood has demonstrated the common basis of analyses of trade.

First of all, demand for unqualified labour has fallen substantially during the past 20 years. The result has been either greater inequality, or higher unemployment.
Secondly, employment in the manufacturing sector, as a percentage of total employment, has decreased much more rapidly than expected.
Thirdly, these changes have coincided with the rapid growth of industrial imports from developing countries.
Fourthly these changes have also coincided with the dissemination of information technologies at the work place.
Finally, most studies show that trade has contributed, but only weakly, to these changes (Wood, 1995).

For example, an OFCE study on France comes to the conclusion that some 200,000 jobs have been lost in France as a result of trade with South-East Asian countries. Other studies arrive at similar figures. A. Wood has achieved much more significant results using a different calculation method (Wood, 1994).

Most of these analysis are centred on the United States. A study on Europe has established the specific characteristics of European Union trade with low salary countries. This study shows that imports of manufactured products have increased from 32 to 37% and exports have fallen from 55 to 49% between 1982 and 1992. There are obviously very important variations from one sector to another. The following table indicates the sectors most affected.

Table 7: Share of low wage countries in European Union demand for manufactured products (in %)

	1992	*1992/1982**
49. Other industries (toys, jewels, musical instruments)	80,7	47,6
44. Leather	29,0	11,3
45. Footwear, clothing	25,8	10,2
43. Textiles	15,0	6,4
33. Office machinery, data processing	12,8	11,1
37. Precision engineering and optics	8,4	4,0
22. Steel making, metal processing	7,9	1,9
46. Wood, furniture	7,1	0,4
36. Transport equipment (excluding automobiles)	6,3	4,4
34. Space electricity, electronics	6,0	3,6
Average for industry	5,2	1,9

* Difference between 1992 and 1982.

Source : Eurostat, COMEXT and VISA database, quoted by Buigues and Jacquemin, 1996

It lies outside our capacity to judge one or the other method, but it is not uninteresting to note that Wood believes the most of the job losses are now behind us, whilst those who refute the trade argument do not exclude the possibility that the entry onto the scene of new countries like China and Vietnam may force them to revise their figures.

It is worth the effort to quote Wood's argument (1995) in full:
"I do not expect unqualified workers in the developed countries to be strongly affected by new competitors in the world market for goods manufactured with a high intensity of manpower, simply because these goods are not produced in the industrialised countries. By lowering the prices of these products India's or China's entry will benefit all workers, qualified or not". (page 77)

5. A loss of meaning

By seeing globalisation too much in terms of transnational companies, and within this sector, of networked or virtual companies, we are in danger of making this into a single dimensional question and of losing sight of the global nature of this process, as pointed to by C. Oman. The fact is that it is at the meeting point of the different dimensions that we perceive the radical novelty of the present phase.

The phenomenon of globalisation "*lies at the origin of the feeling that governments are no longer able to control the way markets operate, in a world in which real or latent instability reigns"* (Oman, 1994).

This feeling is reinforced by the rise in the number of multinationals (approximately 37,000), and the fact that an increasing number of sectors are becoming subject to international competition. One example is the services sector (which drew the attention of the Americans during the GATT negotiations). To this we must add deregulisations and privatisations (Petrella, 1995) which further reduce the number of sectors which were formally considered as being sheltered. Telecoms is one example of this. This process results not only in greater social exclusion but a greater sense of precariousness. What we are seeing is not a dualisation or a cleavage between the "ins" and "outs" of the system, but a fragmentation, with a gradation of situations of exclusion and precariousness.

As a result of these phenomena, Robert Reich, a Harvard professor and Clinton's minister of labour, sees the population as divided into three major categories: routine workers ("Fordist" style), people providing personal (face-to-face) service and those he calls the manipulators of symbols. The latter group no longer needs the other two and "seceeds" from solidarity, i.e. no longer has the feeling of living on the same national boat. This globalised elite depends more on the world market than the national market. This secession can also makes its mark on urban geography (select districts, private schools etc.) and in the emergence of security jobs (private guards) which already represent 3% of total employment in the United States.

This is a vital element, as globalisation has developed concomitantly with a break in sentiments of national solidarity (via the tax system, social security or inter-regional transfers). Belgium is a clear illustration of this phenomenon.

This breakdown in solidarity at the national level is promoted by the use and development of information and communication technologies. It is possible to enter into contact with the whole of the planet without difficulty and at ever more insignificant cost. The Economist recently ran a headline which read "And all of a sudden distance no longer mattered". One very clear example of this breakdown in solidarities is that of the Internet and the future information highways (ESO - European Social Observatory, 1995). Users are in the main people with a high cultural capital. They are capable of and have an interest in acquiring more information. Their areas of interest are globalised. People lose their sense of local solidarity whilst gaining international friendship (Rifkin, 1995).

As H. Maucher, the CEO of Nestlé said, *"We are not in the days of redistribution. The important thing in order to survive in this world, whether as an individual, enterprise or a country, is to be more competitive than one's neighbour"* (Nouvel Observateur, 15-21 February 1996, p. 53).

"For business companies, internationalisation does not signify a loss of autonomy and power as will be the case for governments and for other elements of national communities; it involves solely changes in the markets in which they operate" (Oman, 1995).

But this phenomenon goes well beyond the purely economic area.

"The major challenge of globalisation derives from our difficulty in objectivising it, in representing it to ourselves, and investing in it personally, affectively or collectively, other than out of economic need. ***Globalisation is a situation, it is not meaning****. In addition to this, no political social or economic player has volunteered to propose an interpretation to us, to advance a project which can help us live serenely with it, to enable us to integrate it within a collective project, to assign it a certain degree of positiveness" (*Zaki Laïdi, 1994, p. 23).

One of the challenges of globalisation is of course to gain a clear picture of what it is. We sense it as a hydra-like phenomenon to which we are unable to propose solutions, given its great complexity and the inaccessibility of the pertinent level of regulation (European or global). At the same time it represents both a real phenomenon and an ideological struggle. It is accompanied in particular by a total redefinition of the concept of territory, and at the same time calls into question abilities to create jobs. Finally, it is a multi-dimensional phenomenon which aggregates technological revolution, a change in the production paradigm, the emergence of an autonomous financial sphere, the end of a bi-polar world, the consolidation of a system of values around individualism, and a profound crisis of ideologies.

Faced with this situation, more and more people are pleading for re-regulation. We would mention solely the subtitle of a leading article on workers and the world economy in the prestigious American "Foreign Affairs" magazine: *"The world may be in the process of moving inexorably to one of these tragic moments which lead historians to ask themselves why nothing was then done".* (Kapstein, 1996).

One of the solutions which is more or less openly recommended is to create regional blocks which are considered better able to control the process under way, as well as processes of international coordination. It is from this viewpoint that we will examine European integration and the responses which it does or does not offer.

Chapter 2: Regionalisation

Introduction

Faced with this globalisation and its multiple dimensions, a number of authors are pointing to experiences of regional integration. Globalisation of trade via GATT and the WTO, or regionalisation through integration agreements? Globalisation of multinationals or their regional decentralisation? Creation of politico-military blocks or revitalisation of international organisations? The tensions between regionalisation and globalisation are numerous. It is difficult to evaluate which of these phenomena will finally gain the upper hand. Here too, two hypothesis confront each other: the first one sees regionalisation as a first step towards globalisation, the second points of more to more or less autonomous blocks which will confront each other at a world level.

The Commission has presented its own vision: this advocates an open regionalism, but the whole of its communication is centred on the political and geographic challenges of trade.[1]

As we have done in the case of globalisation, we need first of all to ask ourselves whether a phenomenon of regional integration is really taking place, and to what extent this phenomenon is new. Before attempting to reply this question, we will make a few brief preliminary comments.

A series of attempts at regional integration took place in the 1960s and 70s. These include the Andean Pact (Chile, Bolivia, Peru, Ecuador, Columbia, Venezuela), ASEAN (Indonesia, Philippines, Singapore, Thailand, Brunei, Malaysia, Vietnam) or again regional integration projects in Africa. Whilst this topic has become topical again, we have to point out that attempts at regional integration also existed earlier. However, *"If we consider that any integration is made up of both liberalism and protectionism, it is the liberal component which appears to have the upper hand today, given the international context" (*Salama, 1996).

A second comment: parallel with a movement towards regional integration, we see an even more marked movement of regional disintegration and of the disintegration of multi-ethnic states. The USSR, Yugoslavia, or again Czechoslovakia are the most recent examples. We should also point to the "decentralisation" which is also present in a large number of countries (Belgium, Spain, Italy, but equally Japan), without this leading to the disintegration of a state.

Thirdly, do these different processes have points in common, or, do they each have their own particular logic? It seems to us that it is necessary to distinguish between different forms of integration: first of all between countries at the same level (e.g. European Union), secondly between countries at different levels (NAFTA), and thirdly between developing countries (ASEAN, MERCOSUR, Andean pact).

1 SEC (95) 322 of 08.03.95 on free trade zones: an evaluation.

Does regional integration require states to be neighbours? In other words, should we see this as a geographic phenomenon? Here too we can express certain doubts. The United States and Israel, who are not on the same continent, are bound by a free trade treaty. Chile has applied to join NAFTA.

Charles Oman has proposed distinguishing between *de iure* integration based on international agreements, such as for example the Treaty of Rome, and *de facto* integration via the density of economic exchanges.
However, this distinction also has its limits. Asian countries trade more with the United States than with Japan.

One final comment: when speaking of blocks, we generally forget two countries which alone represent 2 billion people, China and India. Where do we place China and India within this dynamism of regional integration? These countries have an important economic future, certainly in the case of China and a little less certainly in that of India, and a far from negligible demographic weight.

Analysing the regional integrations of the Triad countries (Japan, United States, Europe) we note that three different processes are at work.

1. Japan and South-East Asia: economic integration without political integration

Whenever we talk about Asia, one often wonders whether geography and elementary history do not immediately give way to fantasy and fears.

Three phenomena are perceptible:

- Japan has relocated part of its production to South-East Asia, and has established multiple and substantial economic links in the zone.
- Regional integration does not yet mean a free trade zone (planned for 2005), and ASEAN does not include Korea, Taiwan or Hong Kong.
- We have a demographic giant, China, which has undertaken a successful and rapid modernisation with the help of capital from the Chinese diaspora in Taiwan, Hong Kong, and further afield from Malaysia and Thailand (each with 6 million Chinese), Indonesia and Vietnam. What we have here is integration via ethnic networks.

Japan, a rising if not dominant economy at international level, has few prospects of *de iure* regional integration.

There are several reasons for this. First of all, Japan's colonial period and its exactions during World War II have not exactly left behind good memories. We recall the recent controversy between Korea and Japan about the absence of official apologies from the latter. When Malaysia proposed extending ASEAN to Japan, its partners refused point blank.

Secondly, China's rising power will rapidly pose a leadership problem. Japan is obviously economically out of range, but other countries in the region are under Chinese cultural domination and/or have large Chinese minorities. Thirdly, various states are fragile: Taiwan in the light of Chinese claims, South Korea faced with North Korea and its possible collapse, Malaysia due to the dangers of explosion as a result of its ethnic diversity, Hong Kong due to its return to China in 1997. These various forms of fragility do not encourage political integration. Finally, most of these countries trade more with the United States than with Japan.

We also note fairly rapid "relocation" phenomena in the region. These investments are being carried out at a time when the most advanced countries in the zone are not making very rapid technological progress. Certain people believe that we will see more competition than complementarity. Others believe that the high rates of growth will rapidly move to more normal levels (Krugman, 1994c).

Two integration projects are right now competing. The first, aimed at creating a "Asian" block, is being forcefully defended by the Malaysian government, with the intention of limiting western influence. The second is being developed under the baton of the United States (APEC - Forum for Asian-Pacific Economic Cooperation). The idea is to set up a Pacific zone including countries such as Australia and Chile (Higgott and Stubbs, 1995).

There are no real prospects, in either the short or the medium term, of any form of integration going beyond economic free trade. Readers are reminded that the process of modernisation in these countries has generally involved heavy state participation, and that inequality indices are generally particularly low (World Bank, 1993). The following table gives certain basic data.

2. The United States and NAFTA: between hegemony and retreat

A second phenomenon of regional integration is the United States and its economic integration with Canada and then Mexico (NAFTA). This is an economy which is no longer hegemonic or which is less so, and which is attempting to create a regional free trade zone which will enable it to withdraw on itself in the event of a failure of world liberalisation. Given this relative decline, which it is fashionable to exaggerate (for a discussion of this subject, cf. Nye, Luttwak and Valladao) an attempt is being made to reorganize on a regional basis and to achieve a certain degree of leverage and control over an area of traditional domination, i.e. Latin America.

It should also be borne in mind that negotiations with Canada and then Mexico took place against the background of uncertainties as to the outcome of the GATT negotiations. Since the conclusion of the Uruguay Round, negotiations with Chile have been stopped.

This economic integration involves very differing partners. Canada's demographic weight is totally disproportionate to that of either the United States or Mexico, whilst Mexico's GNP per inhabitant is also incomparable with that of its two powerful neighbours. Finally, for both Canada and Mexico, the United States is their leading export market.

For Canada the main reason for wanting this integration was to ensure access to the American market, whilst for the Mexican government the idea was to make economic reform irreversible. This integration without creating any common institution (such as the Commission in Europe) revealed its limits in the 1994 Mexican crisis. Moreover, extension towards other Latin American countries appears right now to have been braked.

The prospects for enlarging and deepening this integration depend on two factors: the first, which is geostrategic, is the choice to be made by the USA on whether to withdraw relatively on itself, or to continue to play the world's policeman, the second, which is a social one, is the development of the debate in the USA on the rising tide of inequality.

However, it should be stressed that, both regionally and world-wide, the United States has never hesitated to use threats or reprisals in order to "domesticate" the effects of globilisation.

Quebec, NAFTA and globalisation

The question of globalisation and of the social model has a particular resonance in Quebec. This region already has its own "distinct" place within the Canadian Federation. Quebec, more than the other Canadian provinces, was in favour of the agreement with the United States. Now it finds itself confronted, not only with the United States, but equally with Mexico.

Since 1996, the Quebec government has began to reflect on its insertion into NAFTA. It is now proposing a sort of Social Pact. "*Given the increasing inter-dependence of the different economies, Quebec cannot ignore the requestioning which is taking place, to different degrees, among the North American continent's economic partners, of the role of the state in the areas in which it can intervene.*" (Le Monde diplomatique, quoting the Quebec Prime Minister).

The Quebecois also have their Hoover affair. This is an American truck factory in Quebec which wants to relocate production to Mexico. The question asked by Devoir's journalist is: "*By negotiating the NAFTA agreement, has Canada put the emphasis on economic activity to the detriment of a minimum level of economic and social protection?*" (17 April 1996).

Given this situation, which presents a number of points in common with the European Union, the Quebec trade unions are thinking hard.... For example, the civil service trade union has organized a major symposium on "Economic Globalisation and the Role of the State".

3. The European Union: a pro-active approach

A third phenomenon: medium-sized economies, whose future is fairly uncertain, are attempting to build a political block and to create a political union, with joint institutions which can adopt legal standards which are directly or indirectly applicable in the Member States. This is the deep meaning of the construction of Europe, which distinguishes it so far from other forms of integration.

In this sense, both for the founding fathers and even today for most European leaders, integration is a political objective, which is achieved via the economy. In other words, economic integration should lead progressively, and painlessly, to federal-style political integration.

Since 1985, another aim of economic integration has been to secure a place for Europe in the new emerging world order. The catalyst which has put new life into the integration process has been the double challenge of international trade, on the one hand of technologically advanced goods from Japan and the United States, and on the other of consumer durables from the newly industrialised countries.

To date Community integration represents an exception both to the phenomenon of the disintegration of multi-ethnic states, and to what is happening around the United States and Japan.

4. Regional integration in the Southern Hemisphere

Compared with this, the process of regional integration of third world countries is progressing at very different speeds, due in particular to these countries' level of development.

In many cases trade is made very difficult by an absence of complementarity between outward-facing economies. Given the differences in levels of development, possibilities of integration differ totally between dominated and dominating economies. In the latter, there is much more advantage in removing internal barriers and the conditions of relative complementarity of economies permit the development of varied inter-state trade. In addition to this, in most cases, infrastructures are very badly connected, being aimed at connecting centres of production, often of raw materials, with ports for exports. Making the inter-connections necessary for regional trade is proving very difficult. This is the case in an almost caricatural fashion in Africa, where all attempts at integration have failed. In addition, many developing countries have scrupulously followed the suggestions of the IMF and the World Bank, and exported raw materials and agricultural products, which has not contributed to any complementarity between them.

The most interesting dynamics are to be found right now on the Latin American continent with the creation of Mercosur (Argentine, Brazil, Paraguay and Uruguay) and the revitalisation of the Andean Pact (Venezuela, Colombia, Peru, Ecuador, Bolivia).

Conclusion

This very rapid panorama enables us to observe that the different forms of regional integration are, for the time being, and with the exception of Europe, economic projects aimed at achieving a critical mass in order for the participants together to be recognized as fully-fledged partners on the world stage. Right now, regionalisation processes provide only a very partial response to the issues of globalisation, as outlined earlier in this document. On the one hand, they are latecomers compared with players who have become global (financial institutions and a number of multinational companies), and on the other hand, being limited to economics, they provide no response to the socio-cultural issues of globalisation.

Chapter 3 : The Community response

Introduction

The fear of loss of competitiveness, and of becoming an actor with no further role on the world stage has been present since the start of the construction of Europe. It is this fear that J. Delors drew on in 1985 in order to relaunch the European dynamic and to achieve a consensus on Objective 1992. Then already, employment was at the centre of concern, with unemployment at its zenith. The Cecchini report on the cost of non-Europe predicted that 2 to 5 million jobs would be created with the completion of the single market and the policies which were expected to accompany it. Discussions centred then on a strategy of growth and employment. The concerns of 10 years ago are largely those expressed today.

After a period of disarray following the collapse of the myth of straight-line, trouble-free European integration, and the symbolic failure of 1992 (no removal of internal border controls, rising unemployment), the Commission has attempted to come up with a new project which will mobilise all actors towards integration. This project focuses on two themes: globalisation and the information society.

This project is presented in the White Paper on Growth, Competitiveness and Employment, which bears the strong stamp of J. Delors. Gradually, the White Paper has come to occupy a central place in discussions at both European and national level. The large number of topics which it deals with allows everyone to pick what suits them best and to disregard the rest.

In a certain way, the White Paper also constitutes as much a guide for the construction of Europe as a reflection on Europe in world competition.

The starting observation is that the world has changed. This change in backcloth is due to geopolitical changes (new competitors and the end of communism), demographic changes (an ageing population), technical changes (mutation and dematerialisation) and financial changes (market interdependence).

The White Paper goes on to set out a whole series of directions for inserting Europe into this new world order, and for reducing European unemployment. The Council of Essen (December 1994) defined a series of paths, in particular in the area of employment, opened up by the White Paper. What is surprising is that the Commission is proving incapable of presenting and articulating its action on globalisation in a coherent manner. In a certain way, the following pages reinterpret the Community's actions and interlink them, perhaps more closely than they are actually interlinked in reality.

1. European strategy of growth and employment

This strategy is articulated in different policies. Two factors stick out in an analysis of words and practice within the Union.

On the one hand, almost all Community documents point to the need to defend and valorize the European (social) model. The Union's policies are aimed at preserving this model by updating it. The challenges which it faces are numerous: the greater flexibility of the United States, the better organisation of labour in Japan, and the low labour costs of the Asian tigers and dragons.

On the other hand, the Union and the Commission are making little use of a series of instruments which are already available to them in order to really implement a strategy of valorising the European model. They appear to be resigned to "globalisation". For example, there is no genuine industrial policy, little commercial policy, no macro-economic policy to revive industry and commerce, and little discussion on monetary policy. When it comes to fiscal action, this is reduced to harmonisation through competition between national systems.
It would appear that the only policies which show a certain dynamism are, on the one hand, that of the labour market, and that of making Europe an attractive business location. But we have to ask whether this is due to an absence of political will, or, on the contrary, the incoherent implementation of the dominant economic idea, which wants to see a reduction in the role of the state, because its interventions are, in the medium term, ineffective or even counter-productive? In this later scenario the absence of action reflects, not a powerlessness but an economic and political plan.

The dominant philosophy within the Commission can be summarized as follows:

"For the Community, active participation in the globalisation process is a key means of securing the continuing increase in the standards of living and the improvement of the employment situation. However, in order to profit fully from the advantages of such national integration, the Community needs to take rigorous and large-scale measures to facilitate structural adjustments and to promote the effort of readapting labour" (1996 Annual Report).

Behind this language, which attempts to be consensus-based, is in fact a struggle between different versions of a renewed European model. Jacques Chirac's recent statements about the European model and the struggle against Anglo-Saxon ideas represented, for him, by Great Britain and the Netherlands, shows that this analysis is shared by certain political leaders at the highest level.

"Since the first oil crisis, we find two contrary diagnoses of the cause of the economic slowdown, and hence on the preconditions for a return to the "healthy and sustainable" growth of the past. Put schematically, the post-Keynesians place an emphasis on coordinated policies in order to revive economic activity, presented at the precondition for the appearance of win-win games, whilst liberals prioritize the restoration of profitability in order to commence a virtuous circle of investment, competitiveness, and growth of market shares." (Freysinet, 1995).

We are unable to analyze all the Union's policies in detail. For this reason we will give just a few indications which point to their (in)consistency with the debate on globalisation and Member States' loss of power.

We have grouped the Union's policies into three major categories: economic policies, including commercial policy, structural policy (in particular that relating to the labour market) and policies to make the Union attractive for business and investment. At the end of each part, we will draw partial conclusions.

2. Economic policies

In the area of macro-economic policy, the Commission has always followed very conventional and very orthodox recipes. In many cases, these are supported by prospective studies which describe the expected positive aspects, the many methodological reserves surrounding which are of course immediately forgotten. This was the case of the positive estimates of the cost of non-Europe made in the Cecchini report, and more recently the equally positive evaluations of the impact of economic and monetary union.

As the Commission's contribution to the 1996 Intergovernmental Conference indicates: *"without neglecting the role of adequate macro-economic policies, (the) reduction (of unemployment) depends first and foremost on economic players"*. In line with this position it places an accent more on labour market policies, or has Member States carry responsibility for bad economic policy.

2.1. Trade policy

The Community has extensive competence in the area of trade policy.
The objective of this policy is inscribed in Article 110 of the Treaty of Rome:
"*(...), the Member States aim to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade, and the lowering of customs barriers"*.

The Community also has the task of negotiating economic agreements. We remember all the toing-and-froing surrounding the signature of the latest GATT agreements. It also has the ability to instigate anti-dumping procedures (goods sold at a loss).
A recent Commission communication defines its position in the trade area (3).
Its main objective is to place pressure in order to open foreign markets. It calls on industrialists and exporters to inform it of all difficulties and barriers which they encounter. The pressure will be bilateral, but the procedures and sanctions will be undertaken within the World Trade Organisation's (WTO) multilateral framework.

An important point: this communication scarcely touches on the social clause. Discussion on this topic is deferred to the WTO. The fundamental idea of the social clause is to tie in trade liberalisation to the respect of fundamental human rights at the workplace as defined in certain essential International Labour Organisation conventions. These relate to forced labour, child labour, trade union freedoms and collective negotiation. These rights do not have direct economic repercussions, and for this reason cannot be qualified as disguised protectionism.

2.2. Budgetary policy

Compared with those of its Member States, the Community's budget, is very small, if not insignificant, attaining hardly 1.2% of the GNP of all members countries. A study carried out in the 1970s (Mc Dougall, 1977) estimated that this budget would have to reach 5% in order for it to be able to take on a specific role of stabilisation and redistribution within the context of monetary union. The European Trade Union Confederation has adopted a resolution supporting a significant increase in the budget which, in its view, ought to reach 3%. Various studies on tax federalism arrive at comparable estimates. The table below summarises the Union budget and places it in perspective.

Table 9 : Expenditure of the European Union in 1970, 1980 and 1988-1994
(federal budget, European Development Fund and ESCA).

	1970	1980	1988	1989	1990	1991	1992	1993	1994	1988-1994
Total EU expenditure (Ecu millions)	3576	16455	42495	42284	45608	55156	60501	69233	72304	-
% of EU GNP represented by EU expenditure	0.74	0.80	1.05	0.96	0.96	1.07	1.12	1.19	1.24	-
Per capita expenditure (Ecus)	9	63	131	130	139	160	174	199	207	-
Percentage of the public sector expenditure of member states represented by EU expenditure (%)	1.90	1.70	2.30	2.10	2.00	2.20	2.20	2.40	2.40	-
Annual rate of increase of EU expenditure (%)	-	-	16.90	-0.50	7.90	20.90	9.70	14.40	4.40	10.50
Total annual rate of increase of Member State expenditure (%)	-	-	6.00	7.50	10.10	14.10	6.80	4.60	4.00	7.60

[1.] 1970, 1980, 1988-92 : in terms of payments; 1993 et 1994 : budgetary expenditure allocations.

Source : European Commission, Directorate General for Information, Communication, Culture and Audiovisual Media, quoted by Giandomenico Majone, 1995, p. 53.

Various proposals have been made in order to enlarge the margins for manoeuvre. One of these is the creation of a European Investment Fund (EIF) with the task of financing major European public works projects. This fund was created at the Edinburgh Summit (1992), was blocked for a long time and has never really got off the ground. On the one hand, economic and finance ministers did everything possible to limit its size, secondly, the haggling on the projects to be financed was particularly difficult. In any event, the sums involved were totally insufficient to have any kind of real economic impact.

Drèze and Malinvaud, two highly respected economists, have evaluated as at least 10 times this amount the minimum amount necessary in order to have a genuine macro-economic impact, proposing other uses for such sums, in particular urban renewal.

Another line of thought which has been evoked is that of a separate source of income which would feed directly into the Community budget. This proposal has been postponed to the forthcoming negotiation on 5 yearly budget prospects (1999-2004). The Commission has been charged with making proposals in this direction before the end of the century.

Projects for minimum harmonisation in the area of taxation of income from capital are as good as dead. When it comes to the CO2/Energy tax, the Commission is required to submit in 1996 new proposals for Member States which have decided to introduce this type of tax in their legislation. However, a new proposal by the Commission is attempting to apply a global approach to this question and ties taxation directly into the question of employment.

2.3. Monetary policy

The Commission has always taken an orthodox approach to monetary policy. By creating an internal zone of stability and so balancing out the excessive weight of the dollar in foreign trade, Economic and Monetary Union (EMU) should, according to the Commission, lead to an improvement in employment. The use of devaluation is criticized and considered as ineffective. Beyond this "mechanical" language arises the need, recognized by everyone, but the technicalities of which are not yet well defined, for a better coordination/integration of national economic policies. This economic "governance" is considered as the essential complement to EMU. However, we need to recognize that nobody has successfully defined how this coordination of national policies could function. However, along with tax policy, it is an imperative if EMU is to be able to develop harmoniously. Monetary policy has particularly important repercussions. Devaluation will be out of the question. One element of competition will therefore be under control. At the same time, monetary unification will contribute a little to controlling financial markets. However, in the absence of coordination on salary and social policy, the danger is that the social area will become the main adjustment variable, leading to competition between different social systems (ESO, 1995 and 1996).

2.4. Partial conclusions

We observe that, in the areas of trade and macro-economic policy, the Commission's actions are limited essentially to accepting the new globalisation order without giving itself the resources to effectively influence it. In the commercial area, the priority given to multinational negotiation and the absence of credible measures or threats of retaliation is patent. The idea of a social clause in trade agreements is as good as dead and buried. The dominating idea right now is that Europe has room for manoeuvre in South-East Asia. For this reason we need to invest more and strengthen our commercial position. Greater cause for worry is the language surrounding monetary and budgetary policy. By preaching national budget deficits of 1% and refusing to increase the Community budget, the Commission is effectively relinquishing any flexibility in this area, and any room for manoeuvre by public powers at either national or Community level. Finally, in the monetary area, absolute priority is being given to fighting inflation. A balanced budget, controlled inflation and modest salary increases are, in the Commission's view, the keys to healthy growth and are a potentially rich source of job creation.

This approach is based clearly on neo-classical economic analysis and is progressively becoming the Community breviary.

3. Labour market policies

Labour market policies have thus gradually become a European-level priority. It is a priority shared by many Member States.

As Jacques Freyssinet so aptly said: "*The identification of exogenous variables (those which economic policies are unable to act upon within the current context) leads to the onus for the necessary adjustments being transferred to endogenous variables (essentially labour markets).*

The first group of variables includes mechanisms upon which the states, in opting for market globalisation and liberalisation, have renounced their ability to act. Such renunciation is now deemed to be irreversible" (1995).

3.1. The Essen recommendations

The White Paper had identified a series of issues which were embodied in five recommendations approved during the Essen Summit (December 1994).

The five major issues are: training, particularly vocational training, more intensive job-creation (flexibility, wage moderation), reducing non-wage costs, more effective labour policies (active policies), and measures to assist disadvantaged groups.

Furthermore, the Essen Summit provided for multilateral employment monitoring procedures to be formulated and a high-level group to be set up to make twice-yearly reports on European competitiveness. Finally, it requested more detailed studies on environment-related employment issues, as well as taxation-related employment issues.

In March 1995, the Commission defined the different phases of this multilateral monitoring[5]. There are two distinct phases, at least for the first year.

The first phase is linked with the procedure for the "*major economic policy guidelines of the Member States and the Community*". This procedure forms part of the four evaluation and progress-monitoring procedures for convergence, namely the national convergence plans, the main economic policy guidelines, multilateral monitoring and budget deficits (ESO, 1995).

The employment part of these "guidelines" will be further developed and the opinion of the social partners (ETUC, UNICE, CEEP) will be taken more fully into consideration. In May 1995 the latter arrived at a joint opinion on guidelines for transforming the recovery into a process of sustainable "job-creating" growth. We should remember that as early as 1986 the first joint opinion dealt with "*the cooperative strategy for growth and employment*".

The second phase centres on the Commission's evaluation, in cooperation with the Ecofin and Social Affairs Councils, of the five points put forward at Essen. This phase began on 26 July with the Commission's adoption of the report on employment[6]. Following this report, in October the Commission adopted the communication on the trends and developments in EU employment systems. During October the different Member States presented their multi-annual plans for employment.

At the same time, the social partners arrived at a joint opinion setting out their priorities for employment.

This exercise provided an opportunity to contrast the different employment policy approaches (flexibility, wage moderation). The Ecofin Council, backed by the Economic Policy Committee, set the tone by presenting analyses which were clearly designed to push deregulation much further than had been agreed at Essen. However, the labour ministers had a lot of difficulty in arriving at a joint position.

Although this position differed from that of the influential voices of the financial world, it was not far removed from the current "economicism" and certain commonplaces. Nevertheless, the final result is more balanced than one might have feared and it was agreed that the Social Affairs Council would also be provided with technical assistance in order to refine and support its analyses.

Finally, the Social Affairs and Ecofin Councils came to an agreement with the Commission over a relatively well-balanced joint text which was approved by the Madrid Council (December 1995).

5 COM(95)74 of 08.03.95.
6 COM(95)381 of 26.07.95.

The guidelines go one step further than the Essen guidelines by defining or supplementing them:

- to boost training programmes, especially for the unemployed;
- to relax corporate strategies on aspects such as work organisation and working time;
- to ensure that indirect labour costs evolve in line with the objectives for reducing unemployment;
- to maintain current wage moderation by linking it with productivity as an essential element in encouraging labour-intensive employment;
- to make social protection systems as efficient as possible in order to ensure that they never have the effect of discouraging people from seeking employment, whilst as far as possible maintaining the level already achieved;
- to press for policies for the passive protection of the unemployed to be transformed into more active job-creation measures;
- to considerably improve information mechanisms between those offering work and those seeking it;
- to encourage local employment initiatives.

Let us also recall that, after prolonged deliberations, the Commission produced its medium-term action plan making employment the main priority[7]. The issue of social security is closely linked with the issue of employment. The Commission finalised its second report on social protection in Europe at the end of October[8] and presented a framework initiative in early November entitled "*The future of social protection: framework for a European debate*"[9]. The Commission opted clearly in favour of an approach focusing on job creation, to the detriment of analysing the effects on the financial stability of social security. Nevertheless, since such problems are stubborn, Community texts are increasingly obliged to reintroduce social security into the debate on employment, without reducing the asymmetry between the attention paid to the employment aspect and that paid to the social security aspect.

3.2. The cost of labour: the Commission's proposals

We now go on to analyse in greater detail the two Essen proposals, one for wage moderation and the other for reducing wage costs. These two proposals are particularly interesting because they are a direct part of the debate on globalisation.

The Commission endeavoured to counter the IMF's analysis that "*essentially it is the high minimum wage and high employers' contributions, the generosity of unemployment benefits and certain shortfalls in skilled labour which are hampering the creation of sustainable jobs*" with another approach, even though it is not possible to speak of a single European-level approach.

[7] COM(95)134 of 12.04.95.
[8] COM(95)457 of 31.10.95.
[9] COM(95)466 of 31.10.95.

This approach hinges on two main concepts.

Firstly, that wage increases harm global employment and that such increases have to remain lower than the rise in productivity.

Secondly, that there is a need to considerably reduce the cost of labour, particularly unskilled labour.

The White Paper on growth, competitiveness and employment is explicit on the first point: "*Solidarity, first of all, between those who have jobs and those who do not. This key concept has not figured at all in the collective discussions and negotiations of the last 10 years. That is why we are proposing a sort of European social pact, the principle of which is quite simple but whose detailed arrangements would be adapted to the specific circumstances of each country and each business; in the spirit of a decentralised economy and of subsidiarity, new gains in productivity would essentially be applied to forward-looking investments and to the creation of jobs*." (p. 15).

This calls for three remarks:

The first is that, over the past 10 years, wage moderation has been the rule in all Member States:

"*Despite the differences between developments observed in the Member States between 1970 and 1991, in the four largest countries, wage rises expressed in terms of real output roughly followed the evolution of productivity. Thus, in each case, gains in labour productivity were passed on in full to salaries - or more precisely to labour costs - and the share of salaries and profits in the added value remained virtually identical.* ***However, since 1980, wage rises adjusted for inflation have been lower in all countries than growth in productivity, and the share of profits in the added value has been higher, which has allowed profits to recover the ground they lost during the seventies***."[10]

It was doubtless for this reason that Jacques Delors stipulated that wage rises had to be 2% lower than the rise in productivity. According to him, applying this measure for five years would result in the creation of five million jobs (Wolton, 1994).

The second remark is that the Commission no longer talks about the relationship between Labour and Capital but rather the relationship between those in work and the unemployed. The responsibilities of employers and managers, particularly with respect to product innovation, are ignored entirely. According to a study by McKinsey, an international consultancy group (McKinsey Global Institute, 1995), this factor may be more important in explaining unemployment than labour market rigidities. How is it possible to secure real guarantees for job creation when internationalisation and new production methods are making this type of job-creation or job-preservation very difficult to guarantee?

[10] EEC, Report on employment, 1994, p. 75.

More fundamentally, we need to query the pertinence of a maxim attributed to Chancellor Schmidt: "*Today's profits are tomorrow's investments and jobs for the day after*". Ten years later, the profits are still there, but not the jobs. Pierre-Alain Muet has shown that the level of self-financing by French companies has never been so high. Nevertheless, unemployment is not falling...(ESO, 1996).

The third remark is that, by increasing purchasing power, we also increase employment as a result of the rise in overall demand. Many people - including big names in the world of economics - consider that recovery from the crisis is slow because of low levels of consumption (*Alternatives économiques*, 1996).

It should be stressed that there are two distinct issues at stake here: on the one hand the distribution within companies between work and capital; and on the other, the distribution within society between workers and non-workers.

The second major European theme is the overall cost of labour which is blamed for excessively high unemployment levels, particularly among the less skilled. The idea is to reduce the overall cost of labour by lowering employers' social security contributions. This would be offset by the CO_2/energy tax[11].

This second issue requires closer examination. It is also the subject of diverging analyses and policy plans.

Firstly, the wish to transfer some social security contributions on salaries to other forms of taxation is an idea which appears pertinent and must be addressed without preconceived ideas. We therefore need to properly define the issues involved.

Issue one: who is in control? This is one of the fears of trade unions. By transferring part of the financing from workers' social security to taxation, it would become easier to dismantle social security, since this would be dependent on parliamentary decisions and hence at the mercy of possibly hostile majorities.

Issue two: who would lose out? A shift in taxation would inevitably lead to a redistribution among the various sections of society, some of which would come out ahead and others behind. Reducing employers' contributions would clearly be to the advantage of industrialists and holders of capital, but who would lose out? It would all depend on the type of compensation (Decoster, 1994).

Issue three: is it effective? Globally speaking, in Denmark and the United Kingdom, the two countries with the lowest level of salary-based social security charges, the unemployment performance record is no better than the European average. In addition, it is difficult to establish a precise link between lower wage costs and job creation. Economists all arrive at very different figures (Euzéby, 1995 and Husson, 1995). However, according to which hypothesis you choose, the degree of compensation through taxation necessarily varies.

[11] These proposals are explained in detail in Chapter 9 of the white paper.

A study carried out by the Belgian *Bureau du Plan* on behalf of the Commission, estimated that the number of jobs created in Europe by lowering social security contributions offset by the CO_2 tax would be well below one million. Nevertheless, their hypothesis did not take into account the effect of targeting low salaries (impossible with the econometric model used), nor the lower level of job cuts as a result of reduced labour costs. A final consideration is that the main aim of the CO_2 tax is to reduce CO_2 emissions and not to create jobs. In other words, some of its receipts will have to be used for support measures or for reducing energy consumption.

Even though the idea of lower work-related contributions is being pursued in most Member States, this takes a variety of forms. In 1994, this reduction represented around 0.5% of GNP (Blanc, 1994).

Several Member States have preferred to reduce tax and social security charges on labour costs (B, Dk, F, Irl, L, UK), often concentrated on the lowest salaries (B, F, Irl, Nl and UK), rather than to introduce measures linked solely to creating new jobs. Often, it is categories of people that are targeted rather than effective and verifiable job creation. It is difficult to quantify the effect on employment of the measures already taken. Finally, there is no clear trend with respect to offsetting tax measures.

The Madrid Council did to some extent reopen the debate, highlighting the impact on social security of all measures for reducing contributions. It is also starting to query the effects on employment of reducing the overall cost of labour.

3.3 Proximity services

The Commission has endeavoured to develop a debate on "sources of proximity jobs". It has been difficult for this debate to establish a position in the overriding controversy over the cost of labour.

Following the presentation of a document on "local development and employment initiatives"[12] at Essen, the Commission adopted a communication concerning "*a European strategy for encouraging local development and employment initiatives*"[13].

Seventeen fields were identified as likely to cover new needs and offer major job opportunities: home services, child care, new information and communication technologies, assistance for young people in difficulty, integration, housing improvements, security, local public transport, redevelopment of public urban areas, local shops, tourism, the audiovisual sector, cultural heritage, local cultural development, waste management, water management, the protection and maintenance of natural areas, and the regulation and monitoring of pollution and the corresponding installations.

Thus defined these fields are relatively broad and highly traditional. But once the Commission has reeled off its list of job opportunities in proximity services, one finds that these are not in fact developing.

[12] SEC(95)564 of 04.04.95.
[13] COM(95)273, OJ C265 of 12.10.95.

3.4. Partial conclusions

The Commission argument reveals a number of weaknesses. It is certainly an attempt to present a realistic alternative to the approach of dyed-in-the-wool neo-liberals. However, it makes no mention of alternatives such as the many different ways of reducing working time. It overlooks a series of players and issues. It is therefore no surprise that national governments, confronted with concrete problems of power and distribution, do not adhere to the standard model set out in the European plan[14].

The unanswered question today is whether the Community proposals will form a basis upon which to build an alternative to the approach of the IMF, the OECD and the Economic Policy Committee which advises Ecofin, or whether they will pave the way for deregulatory proposals. In other words, will it construct new barriers or is it a Trojan horse?

We need to stress the great ideological coherence among those who support a far-reaching change to the European model. Some go beyond the Commission’s public arguments advocating that the range of salaries should be extended significantly downwards. They argue that the cost of unskilled labour has fallen by 30% in the United States and want Europe to align itself with this model.

4. The policy of making Europe attractive for investment

In a certain way, the Commission’s political response to the challenges of globalisation are concentrated in the present chapter. Even more than in other areas, the Commission is proving incapable here of shaping and coordinating its various policies in order to present a coherent vision. The logical approaches used in developing these policies have been extremely fragmented, and their objectives have many times been far removed from the question of globalisation. Only recently has an attempt been made to better integrate them. Here too, the Commission’s White Paper has had a catalyst effect.

Here we can only sketch out briefly these various policies, which merit deeper analysis. Information superhighways serve as a focal point for a series of activities, certain of them on the programme for many years, and others at the centre of the Community agenda under this new heading. These different policies also constitute what certain people are calling a “modern” industrial policy.

4.1. Infrastructures

A key element in investment decisions is the quality of communication and telecommunication infrastructures. A series of measures have therefore been taken to improve or create these. For a long time, the importance of infrastructures has been underlined by an effective pressure group in the form of the round table of industrialists, made up of some 40 leaders of Europe’s largest enterprises[2].

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[14] This point is illustrated by the management information chart for following up the recommendations of the Essen European Council, drawn up by the Employment Observatory.

[2] See, for example “The missing links”, 1984, or “An infrastructure for Europe”, 1992.

Infrastructure is one of the priority areas of the Regional Development Fund. It is also one of the two areas of possible intervention of the Cohesion Fund. One of the missions of the European Investment Bank (EIB) is also to finance infrastructures.

Infrastructure activity means either reinforcing infrastructures in less developed regions, with financing from the Structural Funds, or promoting the connection of missing links, in particular between states. This activity is also accompanied by a liberalisation of these infrastructures (access, services). This applies obviously to telecommunications, but also to energy or railways. Network interconnection and inter-operability have become key words in Community action.

This double movement - completing infrastructures and deregulating their use - is reshaping the geographic face of the Community.

4.2. Education/training

After infrastructural improvement, education and training attain the widest consensus when solutions are proposed to the globalisation process. It is no accident that training, and vocational training in particular, were the first priority at Essen.

At Community level, the European Social Fund is charged with co-financing training programmes aimed at defined target groups (young people, the long-term unemployed). The lost recent reform has added explicitly an objective directed at workers who have suffered from or are threatened by restructuring (the Adapt Programme).
In addition the Commission is developing various programmes in the area, grouped around Socrates and Leonardo.

In budgetary terms, some 0.15% of Community GDP is devoted to measures financed or co-financed by the Union. In many cases these measures are aimed at the populations of late-developing regions or regions which are in a process of industrial restructuring. Initially they were seen more as part of a process of regional economic catching up than in terms of globalisation. In this respect it is interesting observe that, according to the White Paper entitled "Teaching and Learning: Towards the Learning Society[3], the three challenges which education is required to confront are the information society, globalisation, and scientific and technical civilisation.

4.3. Research and development

This was formally included within the (shared) competence of the Community by the 1986 Single Act. The Treaty of Maastricht has revised and extended this area, in particular by moving beyond mere reference to industrial competitiveness. For example, environment and health and social exclusion have become fields of Community research.

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3 COM(95) 590 dd 29.11.95

However, more of Community funding is going to technical research around information superhighways.

Even if this is a developing sector, the amount spent on European R&D is still modest compared with the sums devoted to it by Member States. It is in cooperation or in the novelty of the project that the true Community added value is to be found.

4.4. The information society

The essence of Community discussion on information technology is focused on the issue of information highways. Popularized by A Gore, this term has been used in the White Paper and currently plays the role of panacea in every debate.

We do not intend to review each aspect of this multi-faceted problem, which alone would merit an entire document (European Social Observatory, 1995). We will instead focus on the conclusions regarding social risks reached by the high-level group set up by the Commission.

Whilst the new information and communication technologies (NICTs) offer *"immense opportunities"*, their adoption should be *"based on political debate and a search for the measures necessary to establish a socially and economically integrated information society"*. The document continues with the words *"global risks cannot be neglected, nor can the solidarity of European citizens be weakened in a race towards an information society for some, but not all, of our people"*.

Within this perspective, *"social policy therefore deserves to carry the same or even more weight than economic policy"*. The experts should also add that the Commission has not yet paid sufficient attention to these issues.

In the area of employment, the experts express finely shaded opinions. On the one hand, they indicate the existence of *"a sizeable potential for growth in (...) newly emerging types of employment which (...) could create highly satisfying jobs for many Europeans"*. On the other hand, they mention certain aspects of the information society which have not yet been sufficiently taken into account in the current debate on employment.

In particular, the experts fear that NICTs will have negative effects on employment in the public and private service sectors, areas which represent more than two-thirds of total European employment and which *"have hitherto been largely "protected"* from *"cost-cutting technical developments in the workplace"*. Furthermore, the deregulation and privatisation of operators, as well as the increased possibilities of relocation, will no doubt also have a major structural impact. Finally, the experts also express their fear of seeing the profits and costs associated with NICTs distributed inequitably and, in particular, to the detriment of unskilled and low-income workers.

The report identifies three issues in the area of work organisation, i.e. internal company and organisational restructuring, external restructuring (particularly the need to establish new forms of networking), and the organisation of teleworking.
Where the future of work and social relations is concerned, the experts indicate that the use of NICTs is promoting a contemporary trend towards blurring the distinction between the working/non-working places and hours. New working arrangements will have to be envisaged. It will be particularly important to give workers the right to go off-line at particular times.

New systems must be negotiated in the same way. It will also be important to examine the issue of teleworking at home so as to be able to reconcile it with family life. Finally, given that demarcation between sectors has become blurred, the experts suggest that innovation will be necessary in social dialogue and collective bargaining agreement procedures .

"The national social systems, which are already under considerable pressure due to increased demands at a time of budgetary restraint, are being challenged both by the global dimensions of the information society and its association with new, more flexible forms of work organisation. Firstly, in the majority of EU countries, the financing of the national social security system and more generally of the welfare state has been closely linked to employment, via both the employers' and the employees' social contributions. This link, which is at national level, is becoming difficult to maintain, given the increased international mobility of capital and investment in an economically transparent, global information society. National administrations are facing choices between international competitiveness and/or the long-term sustainability of national social security systems. Secondly, within the context of the information society, we are seeing trends towards new forms of work organisation such as part-time or fixed-term contracts. These changes are challenging the structures of traditional social security systems which were, in general, established in periods of far lower unemployment, with younger demographic profiles and far greater stability in employment patterns. Reforms to current social security systems are urgently required, both from the point of view of financing social welfare systems and encouraging more flexible working arrangements".

4.5. Industrial policy

It was only after the Maastricht Treaty that industrial policy formally came under the aegis of Community policy. Serious limitations, reflecting differences of approach by Member States, can still be seen in this area. The Commission has adopted a document entitled "An industrial competitiveness policy for the European Union"[4]. There are to be four fundamental directions to this policy: promotion of non-material investment, development of industrial cooperation, guarantee of fair competition and the modernisation of the role played by public authorities.

[4] COM(94)319 dd 14.09.94.

The main thrust of industrial policy lies in promoting competition - as such, a negative definition of industrial policy. However, modern thinking is perhaps now defined in terms of improvements in infrastructure, raising teaching standards and educational qualifications, pursuing an active research and development policy and defining suitable technological approaches.

4.6 Partial conclusions

Attractiveness for investment, which has become the key concept in most recent industrial policy, has contradictory effects. Its aim is to promote mobility (of material infrastructure and communication) as well as raise levels of training. Whilst this flexibility can attract new investment, it can also lead to relocation, due to the fact that products arrive more quickly and cheaply in developed regions with good infrastructure. Although research and development is now conducted on a partnership basis for the most part, production is not necessarily carried out in one of the partner countries.

Finally, personal mobility is becoming increasingly dependent on qualification levels and there is no guarantee that the best qualified workers will not move elsewhere.
This having been said, the failure of sector-based industrial policy and of support given to national flagship enterprises necessitated a new approach. This, in turn, has provided hardly any answers to the problems facing workers who are poorly qualified in absolute or relative terms, or to the question of what support should be allocated to regions which remain outside the inner circle.

General Conclusions

The world economy is experiencing a phase of profound change. Society is, however, far removed from the model of the world economy that some experts describe. Although idealogy is not its principal feature, globalisation has an ideological nature. By arguing that rules have been altered to such an extent that governments can only adapt or fall, democratic debate is being rendered impossible. The European excuse (society must adapt by virtue of the single market) has found its successor in the excuse of globalisation.

As we have shown, the challenges associated with globalisation go far beyond the economic sphere. Economic change is being accompanied by essential geo-political transformations as well as considerable technological developments. The effect of the latter is felt not only in organisations and production facilities, but is also impacting on work structures.

The simultaneous occurrence of changes in the world order and technological capability makes it almost impossible to control the evolution of employment and the growth of inequality.

Debate is focusing on the consequences of these developments and particularly on the extent of change and inequality. We have tried to show that, for the present, these are not as great as is often suggested. We believe most of all, however, that the principal implication associated with these phenomena is a breakdown of internal state solidarity rather than state incapacity to take action. The core of the problem lies in the development of a gulf between the globalised elites (not only in the economic sense of the term) who are capable of using the new technologies, and the rest of the population. Taxation has been the most visible instrument in creating this solidarity gap.

The increase in inequality and the growth of isolation are the physical proof of the new distribution of wealth. This is, however, merely a trend, and generalisations cannot be made about an evolving phenomenon which frequently assumes a specific form according to the country in question.

An examination of Community policies shows us that they still waver between adopting a policy of moving with globalisation and the contrasting approach of establishing a basis for new regulation. It is difficult to preserve the European model, given that the Community lacks competence in certain areas, e.g. in the fields of taxation and budgeting, and that some states are unwilling to allow it to play a significant role, e.g. in the areas of tackling recession and infrastructural funding. Furthermore, its policy in certain areas is clearly identifiable with the views held by the dominant players. This, for example, is the case in monetary and world trade matters.

As a result of this, labour market policy will be subjected to huge pressures. These arise from the five priorities established in Essen as well as interpretation of them by certain civil servants, European commissioners and ministers of finance. The latter argue that the instruments of economic policy are inefficient in practice and, on this basis, adjustments must be made by means of labour market policy and a series of structural measures which we have termed investment attractiveness policies.

The future of the European model as we know it is at risk, with attacks being made surreptitiously through reports or occasional statements sprinkled among declarations made at summits of heads of state or government.

Globalisation has provided some people with a pretext for arguing that no further room for movement exists other than that of adaptation through a policy of establishing competition between centres of production. There is, however, no determinism in the struggle between different visions of the future. Only if debate does not take place and the risks are not clearly presented will the likely consequence be an increase in progressive deregulation accompanied by protest movements that are incapable of expressing themselves politically.
Even if room for movement does exist in tandem with the power to express a common political will, it is still necessary to understand that breakdowns in national solidarity pose the greatest danger for the future.

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